



# **Performance Audit Public Private Partnership: KC Streetcar**

October 2015



**Office of the City Auditor**

**City of Kansas City, Missouri**

09-2015



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KANSAS CITY  
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## Office of the City Auditor

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October 29, 2015

Honorable Mayor and Members of the City Council:

This audit focuses on the tri-party agreement created to outline the roles and responsibilities for KC Streetcar between the City of Kansas City, Missouri, the Kansas City Streetcar Downtown Transportation Development District, and the Kansas City Streetcar Authority, Inc. (KCSA) to determine whether the agreement protects the city's interest in KC Streetcar. The agreement establishes a public private partnership for the operation of a publicly funded and publicly owned asset.

The roles and activities of KCSA and the city need to continue to comply with federal regulations where applicable due to the grants received by the city. The Federal Transit Administration (FTA) considers KCSA a no-bid third party contractor because it was appointed to its roles within the agreement without following open and competitive processes. City management believes its relationship with KCSA is unique to that of traditional third party contractors because of its mission and how it was created. The current view of KCSA as a no-bid third party makes the city ineligible for future federal operational grants related to KC Streetcar's starter line. The city has not used and does not plan to use federal grants for operating KC Streetcar and thus is not in conflict with any current FTA grant agreements and does not require a change in the current governance structure. However, KCSA's planned role as defined in the agreement as agent to the city in the procurement of advertising and sponsorships contracts and the expenditure of revenues received from those contracts, if carried out, could be viewed by the FTA to be in conflict with the grant agreements because of their view of KCSA as a no-bid third party contractor. City management has stated they are in the process of determining how these issues should be addressed to protect the city's interests in KC Streetcar and that no conflict has yet occurred.

Provisions in the tri-party agreement include many recommended practices, but additional practices should be incorporated to improve how the agreement protects the city's interests in KC Streetcar. The city has no systematic and ongoing process to assess the governance structure selected to oversee and manage KC Streetcar. KCSA's budget submission is not clearly presented by the city in its annual budget process. The city's ability to account for its revenues is reduced because streetcar revenue is not set up to be deposited into city accounts directly. City management is in the process of addressing this concern. Finally, the agreement does not include performance indicators to assess the achievement of goals or objectives in the strategic plan for KC Streetcar.

Our recommendations are directed towards amending the agreement as necessary to reduce the city's risk of conflicting with grant agreements; making the streetcar budget process more transparent; improving the city's ability to account for its revenues; and improving the city's ability to track the project's performance in accomplishing goals and objectives established in the strategic plan.

The draft report was made available to the city manager on September 28, 2015, for review and comment. His response is appended. We would like to thank the city manager, Public Works Department, and the Kansas City Streetcar Authority for their assistance and cooperation during this audit. The audit team for this project was Jonathan Lecuyer and Sue Polys.



Douglas Jones  
City Auditor

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# Public Private Partnership: KC Streetcar

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## Introduction

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### Objectives

We conducted this audit of the KC Streetcar Tri-Party Agreement under the authority of Article II, Section 216 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

A performance audit provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.<sup>1</sup>

This report is designed to answer the following question:

- Does the tri-party agreement governing KC Streetcar protect the city's interests?

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### Scope and Methodology

Our review focuses on whether the tri-party agreement for the KC Streetcar between the City of Kansas City, Kansas City Streetcar Authority, Inc. (KCSA), and the Kansas City Streetcar Downtown Transportation Development District (DTDD) protects the city's interests in the streetcar system. Our audit methods included:

- Interviewing city and KCSA staff and DTDD board members to understand the intent, content, and history of the tri-party agreement.
- Reviewing the city grant agreement with the Federal Transit Administration (FTA) to identify governing regulations of the streetcar system.

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<sup>1</sup> Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2011), p. 17.

- Reviewing relevant city code and policies to identify those related to third party contracting and operations of city assets.
- Reviewing public private partnership literature from the U.S. Department of Transportation's Federal Highway Administration, the Organization for Economic Co-Operation and Development (OECD), and the National Conference of State Legislatures to identify recommended practices.
- Comparing the tri-party agreement between the city, KCSA, and the DTDD and all of the agreement's amendments to relevant city code, policies, recommended practices, and federal agreements and regulations to determine whether there are any potential risks to the city.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. No information was omitted from this report because it was deemed privileged or confidential.

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## **Background**

### **KC Streetcar**

The City of Kansas City, Missouri, owns and controls the KC Streetcar System. The streetcar route is under construction and will run approximately two miles from River Market to Union Station and is scheduled to begin operations in 2016. It is a project with approximately \$100 million in capital costs and an expected annual operating cost of \$4 million. The city has a large stake in the project's success and is working with multiple partners to fund and operate KC Streetcar. The city issued bonds to pay for the system and has committed ongoing resources to its operations.

In 2012, the city established a public private partnership to govern the streetcar system. This partnership is governed and defined by a tri-party



agreement<sup>2</sup> the city entered into with the Kansas City Downtown Streetcar Transportation Development District and the Kansas City Streetcar Authority, Inc. that details the funding, design, construction, and ongoing operations and maintenance of the streetcar system. The City Council passed Resolution 130306 in 2013 authorizing the city manager to make future amendments to this agreement “without further city council approval, provided he determines that such amendments are consistent with the substance of the agreement and in the best interests of the city.” In 2014 the agreement was amended and restated to include language required by the FTA.

### **Downtown Transportation Development District**

The Kansas City Downtown Streetcar Transportation Development District (DTDD) is a political subdivision of the state created to fund the streetcar. State law requires voter approval of a transportation development district. In 2012, the city and Port Authority of Kansas City jointly filed for an election to form the DTDD. Voters approved the district and authorized a sales, property, and surface parking tax to build and operate a downtown streetcar system. The DTDD is wholly within the city and will operate within rights of way owned and controlled by the city.

### **Kansas City Streetcar Authority, Inc.**

Kansas City Streetcar Authority, Inc. (KCSA) is a non-profit formed at the direction of the City Council to provide the DTDD taxpayers an active and ongoing role in the oversight and administration of the system.<sup>3</sup> KCSA has a 13 member board of directors. Seven of the directors are private individuals who reside, own property in, or own a business in the DTDD that funds the streetcar system. The other six directors are appointed by the city or the Port Authority of Kansas City, Missouri, through various processes.

In 2014 the tri-party agreement was amended to include FTA required language and to further demonstrate to FTA the ability of the city to exert ongoing control over the streetcar project and decisions KCSA makes related to it. The city is required to approve KCSA’s annual budgets, budget adjustments, and contracts except those for professional or administrative purposes. KCSA utilizes the city’s procurement system and processes for large capital acquisitions. The city has the ability to

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<sup>2</sup> *The Streetcar Design, Construction, Management & Operations Agreement* was originally executed on November 21, 2012. It was amended on April 15, 2013, and a fully amended and restated version was effective as of June 16, 2014.

<sup>3</sup> Resolution 120692, August 2, 2012.

cause the removal of a director or KCSA's executive director on grounds outlined in the agreement. KCSA has acted with the support of city staff in conducting a competitive bidding process to select a streetcar operator and other activities to prepare the streetcar system for operation.

### **Federal Grants for Construction of KC Streetcar**

The city received \$37.1 million in grants from the FTA for the construction of the streetcar. Grants received for the construction of the streetcar system included a \$16 million Surface Transportation Program grant, \$1.1 million Congestion Mitigation and Air Quality Improvement Program grant, and \$20 million Transportation Investment Generating Economic Recovery Grant.

As a recipient of FTA grants, the city must comply with federal regulations covering the streetcar system. The city has a master agreement with the FTA outlining all applicable federal laws and regulations guiding construction, procurement, and operations. The FTA has several options for addressing non-compliance issues, up to and including repayment of grant funds received. The FTA retains the rights for remedies for the life cycle of the assets procured or constructed with federal funding. The FTA conducts compliance audits every three years, with the first occurrence to take place in 2016.

### **Public Private Partnerships**

Public private partnerships include contractual agreements formed between public and private sector partners providing more private sector participation in traditionally governmental roles. The partnership agreements usually involve a government agency contracting with a private company to renovate, construct, operate, maintain, or manage a facility or system.<sup>4</sup> While the public sector usually retains ownership of the facility or system, the private party will be given additional decision rights in determining how the project or task will be completed.

Typical characteristics of public private partnerships include:<sup>5</sup>

- Ultimate public sector responsibility for and ownership of an asset;
- Sharing and allocation of risk among public and private entities;

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<sup>4</sup> U.S. Department of Transportation, *Report to Congress on Public-Private Partnerships* (Washington D.C.: U.S. DOT, 2004), <http://www.fhwa.dot.gov/reports/pppdec2004/#2a>.

<sup>5</sup> Jaime Rall, James B. Reed, and Nicholas J. Farber. "Public-Private Partnerships for Transportation: A toolkit for legislators," *National Conference of State Legislatures*. October 2010. pp. 3-8.

- Contribution of resources by both public and private partners;
- A contractual agreement;
- Transfer of traditionally public responsibilities to the private sector;
- The mission of the project has public sector goals and objectives; and
- Money or source of financing can be a mix of taxes, user fees, grants, private investment, and/or public concessions.



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## **Findings and Recommendations**

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### **Summary**

Currently, the FTA considers KCSA to be a no-bid third party contractor because it was appointed to its roles within the agreement without a competitive and open process. City management believes its relationship with KCSA is unique to that of traditional third party contractors because of its mission and how it was created. The city has not and currently does not plan to use federal grants for KC Streetcar operations and thus is not in conflict with any current FTA agreements, but FTA's current view of KCSA does mean the city is currently ineligible for federal operational grants related to KC Streetcar's starter line. Additionally, KCSA's role as agent to the city in the procurement of advertising and sponsorships contracts and the expenditure of revenues received from those contracts could be viewed by the FTA to be in conflict with the grant agreements because of their view of KCSA as no-bid third party contractor. The city should take necessary steps to mitigate the compliance risks related to FTA grant agreements.

The tri-party agreement for KC Streetcar includes many recommended practices, but additional practices should be incorporated to improve how the agreement protects the city's interests in KC Streetcar. The city manager should periodically assess the governance structure selected to oversee KC Streetcar operations. To more clearly present the streetcar budget and approval process for KCSA's annual budget submission, the city manager should present KCSA's streetcar budget submission as a discrete program within the city's annual budget document. The tri-party agreement should require KC Streetcar revenues to be deposited into city accounts so the city can better track its revenues. The city can monitor KC Streetcar's accomplishments of strategic goals by including key performance measures in the KC Streetcar tri-party agreement.

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### **FTA View of KCSA Impacts City**

FTA considers KCSA to be a no-bid third party contractor because it was appointed to its role within the tri-party agreement. FTA grants require

third party contractors to be procured in a competitive and open process.<sup>6</sup> Open and competitive bidding regulations apply to FTA grant-funded activity or revenue contracts on assets built with FTA funds.<sup>7</sup> The city plans to use local revenues raised through the DTDD and other city revenues to fund KC Streetcar operations without the assistance of FTA funds. Because the city is not using and currently does not plan to use FTA funds for operations, KCSA's no-bid third party status for the operational portion of KC Streetcar is not in conflict with FTA regulations.

Additionally, according to city management, KCSA is not a traditional third party contractor to the city and has a unique relationship with the city since it was created by the city with its role and context defined in the tri-party agreement. KCSA and the tri-party agreement were created to give the taxpayers of the DTDD (property owners, business owners, and residents) a mechanism to provide oversight and input into KC Streetcar operations. The city formed the tri-party agreement prior to receiving FTA grant funds for KC Streetcar. According to city staff, KCSA is functionally a part of the city. As stated in the tri-party agreement, the city ultimately has financial responsibility for KCSA and the contracts executed related to KC Streetcar.

Although the FTA does not require contracts or relationships like the one between the city and KCSA (funded entirely with local resources) to follow FTA regulations, the manner in which contracts and agreements were procured does affect the city's future eligibility of funding for FTA grants. The current governance structure for KC Streetcar does not allow the city to apply for FTA operational funds to use on the starter line. The eligibility status of the city for federal operational grants is subject to change if the FTA were to give a written exception for KCSA as a no-bid third party contractor given the unique relationship between the two entities or if the city satisfies FTA's view of KCSA as a third party contractor required to be procured in an open and competitive manner.

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<sup>6</sup> If a grant recipient such as the city wants to initiate procurement of a third party operator, it must put out a request for proposals to allow third party operators to competitively bid to provide the service. If a third party operator approaches the city to offer a service under grant funding, the city must openly publicize this offer to allow other interested third parties an opportunity to bid to provide this service as well.

<sup>7</sup> The construction of the streetcar system and vehicle acquisition procurement processes utilized FTA funds and was therefore required to follow FTA open procurement processes for third party contractors. The tri-party agreement calls for the city to use its standard open and competitive procurement process to comply with FTA regulations. The tri-party agreement also calls for KCSA to follow FTA regulations when KCSA procures any contract on behalf of the city.

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## **Some KCSA Assigned Roles and Activities May Conflict with FTA Grant Agreements**

KCSA's appointment within the tri-party agreement to act as an agent for the city to secure advertising and sponsorship contracts (referred to as revenue contracts by FTA) and to expend funds generated by those contracts may conflict with the FTA grant agreement requirements. The FTA requires recipients of revenue contracts or entities who will expend funds generated by federally assisted assets to be procured through a full and open competition.<sup>8</sup> Since the FTA considers KCSA to be a third party to the city that was not procured openly and competitively to its role, the FTA could view KCSA procuring revenue contracts or expending funds generated from revenue contracts to conflict with grant regulations.

We notified city management of these concerns and they acknowledged the potential issues if revenue contracts proceeded as initially planned. Management has stated they are in the process of determining how these issues should be addressed to protect the city's interests in KC Streetcar and that no conflict has yet occurred. If KCSA does procure revenue contracts on behalf of the city or use revenues from those contracts and the FTA considers it a violation, the FTA has rights to remedy such potential violations up to and including repayment of grant funds received.

In order to ensure the city's streetcar activities are in accordance with FTA grant agreements, the city manager should propose an amendment to the tri-party agreement provisions related to revenue contracts and the use of revenues as necessary to protect the city's interest in KC Streetcar.

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## **Agreement Includes Many Recommended Practices, but Additional Practices Should Be Adopted**

The amended version of the tri-party agreement includes many recommended practices to protect the city's interests. However, including some additional recommended practices in the agreement could further protect the city's interest in KC Streetcar. Conducting formal, systematic, and ongoing assessments of the public private partnership for KC Streetcar will help the city make informed ongoing

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<sup>8</sup> FTA Circular 4220.1F Chp. VI, p.1.

financial decisions. Including KCSA's budget as a discrete program in the city's annual budget will improve transparency. Depositing KC Streetcar revenues into city accounts will improve the city's ability to account for its revenues. In addition, developing key performance indicators should help the city better assess the success of KC Streetcar.

### Tri-Party Agreement Includes Many Recommended Practices

The tri-party agreement, which defines the roles and responsibilities of the public private partnership between the city, the DTDD, and KCSA, follows many recommended practices for public private partnerships (See Exhibit 1.) The agreement clearly defines the city as the owner of the system and the city retains the right for a final say in decisions over KC Streetcar. The city is able to remove any director or employee of KCSA who impedes the successful delivery of KC Streetcar. The financial flow of revenues, expenditures, and excess revenues are clearly stated. The city has final approval on budgetary issues. In addition, KCSA and the city have identified a reserve level policy and KCSA is required to have a conflict of interest policy similar to city code.

Outside the agreement itself, the city has streamlined processes by creating a project manager and including city staff on KCSA committees to improve coordination for safety and other operational areas.

Exhibit 1. Tri-Party Agreement's Use of Recommended Practices for Public Private Partnerships<sup>9</sup>

| Recommended Practice  | Followed | Partially Followed | Not Followed |
|---|----------|--------------------|--------------|
| Ensure that all significant regulation affecting the operation of partnership is clear, transparent and enforced. | X        |                    |              |
| Identify and transfer risk as appropriate in this project.  | X        |                    |              |
| Incorporate a strategic plan.   | X        |                    |              |
| Minimize red tape and streamline processes.   | X        |                    |              |
| Establish a conflict of interest policy.  | X        |                    |              |
| Establish transparent rules for dispute resolution.   | X        |                    |              |
| Retain public agency control and ownership of the project.  | X        |                    |              |
| Identify conflict of interest policy.   | X        |                    |              |
| Clearly define how project transitions will occur.  | X        |                    |              |
| Identify transparent rules for dispute resolution.  | X        |                    |              |
| Clearly define roles and responsibilities.  | X        |                    |              |
| Require a transparent budget process that includes all costs and contingent liabilities.                          |          | X                  |              |
| Ensure the ongoing costs and benefits of agreement are publicly understood.                                       |          | X                  |              |
| Identify key performance indicators in the agreement.   |          |                    | X            |

Source: Tri-Party Agreement and OECD Principles for the Governance of Public Private Partnerships, 2012.

<sup>9</sup> *Principles for the Public Governance of Public Private Partnerships*, Organization for Economic Co-Operation and Development, 2012.



### **Systematic, Ongoing Process for Assessment of Public Private Partnership for KC Streetcar Needed**

The city does not have a process to conduct a systematic and ongoing assessment of its public private partnership for KC Streetcar. Public private partnership recommended practices state an ongoing process should be established to assess and justify public private partnerships selected to build, staff, and/or manage new city services, existing city services, or city assets.<sup>10</sup> Although the process that created the partnership included stakeholder input through a mayoral task force and some informal cost-benefit analysis, there was no formal documentation detailing the variables or alternatives considered in the decision making process. In addition, there is no process to assess whether the selected governance structure continues to be the optimal structure.

#### **Value for Money Analysis**

A value for money analysis is a specific type of analysis the Department of Transportation identifies as recommended to assess public private partnerships. It takes into account life cycle cost and procurement methods traditionally used by governments and compares them to public private partnerships. The analysis can take into consideration intangible or difficult to quantify variables such as experience, political buy-in, and more. This type of analysis is considered a useful tool in providing policy and financial decision makers with information needed to select how they will proceed with a project.

Source: *Value for Money Assessment for Public-Private Partnerships: A Primer*, U.S. Department of Transportation Federal Highway Administration, December 2012.

An ongoing assessment is important for KC Streetcar because selecting the current partnership structure has financial repercussions different than that of traditional government methods. As noted previously, the city and KCSA are not eligible for federal grants to operate KC Streetcar's starter line. As a result, costs that federal operations grants would cover (preventive maintenance and capital replacement or refurbishment costs of fixed guideway systems including rolling stock, vehicles, track, signals, communications, and computer hardware and software), must currently be paid for with local resources alone.<sup>11</sup>

<sup>10</sup> *Principles for the Public Governance of Public Private Partnerships*, Sec. B.5.

<sup>11</sup> Management states they considered this in their informal cost benefit analysis. A pro forma using conservative revenue projections demonstrated the DTDD's local resources were adequate to cover estimated project expenses. DTDD collections to date have been either on target or exceeded expectations. Additionally, city staff determined that any application from the city for operational funding from FTA could be in competition with KCATA and it would not necessarily bring new federal dollars to the area.

Although the city is not currently planning to use operations grants, if it ever does, the city would need FTA to give it a written exception exempting KCSA from specific grant requirements or the city would need to satisfy FTA's view of KCSA as a third party contractor requiring it to be procured in an open and competitive process.

It is important for elected officials and city management to have information on existing financial resources, the availability of alternative resources and a comparison of those resources options. Additionally, because this is a starter line and the KC Streetcar may expand one day, ongoing analysis will be needed to understand the implications of an expansion and funding availability.

To ensure city officials are able to make informed financial decisions with the resources available and assess projects as they are implemented, the city manager should create a process to periodically and systematically assess the selected governance structure for KC Streetcar.

### **KCSA Should Be Presented as a Separate Entity in the City's Budget**

The annual budget for the streetcar is not clearly presented in the city budget. Public private partnership recommended practices call for a clear and transparent budget process to minimize fiscal risks and ensure the integrity of the process.<sup>12</sup> The FTA also requires the city to demonstrate its ongoing control of the project. The tri-party agreement calls for the city to approve KCSA's submitted budget each year. KCSA submits an annual budget and any subsequent alterations, but because the overall budget is not identifiable in the city's annual budget document, it is difficult for the city to demonstrate its approval process.

KCSA's budget is included as a part of the Finance Department's City Treasurer's Office budget. The annual debt service on KC Streetcar is included in the Public Works Department's budget. Putting portions of the streetcar budget in two different departments makes it harder to determine the full cost of the streetcar and does not promote transparency.

To ensure the city demonstrates its financial accountability for the Streetcar and makes the KCSA budget clear and transparent in the city's budget, the city manager should present the total budget submitted by

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<sup>12</sup> Government Finance Officers Association *Establishing Public Private Partnership (P3) Agreements for Outsourcing* (2014). <http://gfoa.org/public-private-partnerships-p3> .

KCSA (including debt service) as a discrete program within the city's annual budget document.

The Finance Department does not consider KCSA to be a component unit of the city.<sup>13</sup> A component unit is a legally separate organization for which elected officials of a primary government are financially accountable. Finance Department staff has indicated including KCSA's budget as a separate entity in the city's budget may impact their decision as to whether KCSA meets the criteria to be considered a component unit of the city. Designating KCSA as a component unit may further the city's position with FTA that KCSA is not a traditional third party contractor that should be required to meet all FTA procurement regulations.

### **Streetcar Revenues Should Be Deposited Directly to City Accounts**

The tri-party agreement calls for revenue generated by the streetcar to be deposited into KCSA's accounts. The city's ability to account for its revenues is diminished and complicated if revenues generated by KC Streetcar are not deposited directly into city accounts. Recommended practices call for a transparent and open process in budgeting revenues and costs associated with a public private partnership to ensure the integrity of the project.<sup>14</sup> Management has agreed with this finding and begun to draft language requiring streetcar revenues to be deposited into city accounts.

In order to improve the city's efficiency and ability to account for city revenues, the city manager should propose an amendment to the tri-party agreement to require that sponsorship, advertising, and fare revenues be deposited directly into city accounts.

### **Public Private Partnership Agreements Should Include Performance Indicators**

The city has not developed key performance indicators (KPIs) to monitor KC Streetcar's accomplishment of strategic goals. Including KPIs in the agreement, a recommended practice of public private partnerships, would provide a mechanism for monitoring the accomplishment of goals. Performance indicators are most effective when they are useful, relevant, verifiable, and economical. They help clarify an organization's priorities

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<sup>13</sup> A component unit is a technical term from the Governmental Accounting Standards Board (GASB). GASB has issued several statements to give guidance on how a component unit can be identified and the requirements a primary government must meet to account for the activities of its component units in its annual financial statements.

<sup>14</sup> *Principles for the Public Governance of Public Private Partnerships*, Organization for Economic Co-Operation and Development, 2012 Sec C.

and expectations; what is measured and reported will influence what and how things get done.

The tri-party agreement requires KCSA to assist the city in developing a strategic plan for KC Streetcar. The KPIs developed to monitor KC Streetcar should measure the objectives and goals identified in the strategic plan.

To ensure the city can adequately assess goals and objectives for KC Streetcar, the city manager should propose an amendment to include KPIs in the KC Streetcar tri-party agreement that measure the objectives and goals in the strategic plan.

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## **Recommendations**

1. The city manager should propose an amendment to the KC Streetcar tri-party agreement provisions related to revenue contracts or use of revenues as necessary to protect the city's interest in KC Streetcar.
2. The city manager should create a process to periodically and systematically assess the selected governance structure for KC Streetcar's operations.
3. The city manager should present the total budget submitted by KCSA (including debt service) as a discrete program within the city's annual budget document.
4. The city manager should propose an amendment to the KC Streetcar tri-party agreement to require that sponsorship, advertising, and fare revenue be deposited directly into city accounts.
5. The city manager should propose an amendment to include key performance indicators in the KC Streetcar tri-party agreement that measure the objectives and goals in the strategic plan.

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## **Appendix A**

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### **City Manager's Response**





## Inter-Departmental Communication

### Office of the City Manager



**Date:** October 26, 2015

**To:** Douglas Jones, City Auditor

**From:** Troy M. Schulte, City Manager *Troy M. Schulte*

**Subject:** Response to Performance Audit: *Public Private Partnership: KC Streetcar*

1. *The city manager should propose an amendment to the KC Streetcar Tri-Party Agreement provisions related to revenue contracts or use of revenues as necessary to protect the city's interest in KC Streetcar.*

The City will approach the Streetcar Authority after Phase I of the system is up and running to recommend modest changes to revenue contracts or use of other revenues to insure consistency with federal guidelines.

2. *The city manager should create a process to periodically and systematically assess the selected governance structure for KC Streetcar's operations.*

Agree. The City will develop a process to review changes to the governance structure for KC Streetcar that will ensure continued compliance with federal regulations. These governance structure changes will need to be negotiated and require the consent of the Streetcar Authority, thus there is no guarantee of the outcome.

3. *The city manager should present the total budget submitted by KCSA (including debt service) as a discrete program within the city's annual budget document.*

Agree. The streetcar budget will be presented as a separate and discrete program in the upcoming 2016-17 annual budget. The auditor's suggestion of treating the streetcar as a component unit of the City is a good one, and will be implemented.

4. *The city manager should propose an amendment to the KC Streetcar Tri-Party Agreement to require that sponsorship, advertising, and fare revenue be deposited directly into city accounts.*

Agree. This concept will be presented to the KC Streetcar for consideration, but there is no guarantee that the deposit of streetcar revenues into the City accounts will be agreed to by the KC Streetcar Authority.

- 5. The city manager should propose an amendment to include key performance indicators in the KC Streetcar Tri-Party agreement that measure the objectives and goals in the KC Streetcar's strategic plan.***

Agree. Improved streetcar performance metrics based on ridership as well as economic development will be developed and presented to the KC Streetcar Authority, however I cannot guarantee that these new metrics will be approved by the Board.